

UNIVERSITI TEKNOLOGI MARA

**INTELLECTUAL CAPITAL
EFFICIENCY AND ECONOMIC
VALUE ADDED: A COMPARATIVE
STUDY**

NAQIAH BINTI AWANG

Dissertation submitted in partial fulfilment
of the requirements for the degree of
Master of Accountancy

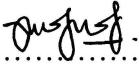
Faculty of Accountancy

December 2015

AUTHOR'S DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

Name of Student	:	Naqiah binti Awang
Student I.D. No.	:	2014836432
Programme	:	Master of Accountancy – AC700
Faculty	:	Accountancy
Dissertation Title	:	Intellectual Capital Efficiency and Economic Value Added: A Comparative Study
Signature of Student	:	
Date	:	December 2015

ABSTRACT

This study explores and compares intellectual capital efficiency and its four components (human, structural, innovation and physical capital) among ASEAN manufacturing firms in emerging country (Malaysia) and developed country (Singapore). Furthermore, this study examines the association between intellectual capital efficiency measured by Modified Value Added Intellectual Coefficient (MVAIC) and firm financial performance measured by EVA of these two countries. In extension of their direct effect, this study investigates the moderation effect of new product introduction on the association between the construct. This cross sectional quantitative study has drawn data from 56 manufacturing Malaysian and Singaporean firm for three years, which make up total sample of 168 observations. Data were gathered from sampled firms annual report and Osiris Database. The content analysis method was employed to collect data of new product introduction. The Independent sample t-test and regression analysis have been utilized in providing empirical evidence about the objectives. The findings revealed that there is no significant different in the means score of MVAIC and its three components (human, structural and physical capital) across these two countries except for innovation capital. Further findings indicated there is a negative significant association between MVAIC particularly HCE with EVA, implying that firm with greater IC efficiency will reduce value of shareholders. Nevertheless, firms properly manage their IC and providing support for resource based theory, thus it is not the reason behind this negative linked. New product introduction was found not moderates the relationship between MVAIC and EVA. In addition, human capital exhibited largest contribution towards IC efficiency, while physical and financial capital found to be less contributing towards IC value creation. The result from this comparative study provides tools for shareholder's investment decision making and assist practitioners to find effective way in developing and managing IC capabilities to generate value for their business.

Keywords: Intellectual capital, comparative study, MVAIC, firm financial performance, EVA

ACKNOWLEDGEMENT

Foremost, I would like to thank all mighty Allah S.W.T for giving me the opportunity, strength and courage to complete this challenging dissertation successfully. I truly believe that without blessing and inspiration from Allah S.W.T, my deepest gratitude, I would not be able to accomplish this paper.

Also, I would like to express my sincerely gratitude to my respected supervisor, Prof. Dr Ruhaya binti Atan for the continuous support and guidance throughout these few months back, for her patience, motivation, enthusiasm, knowledge sharing, ideas and energy in helping me all the time of this dissertation progress and writing process. Her continuous encouragement and readiness to supervise me is highly appreciated.

My special thanks to my beloved course mates and friends for knowledge sharing, valuable information and suggestion in completing this dissertation.

Finally, this dissertation is dedicated to my loving father and my very dear late mother for the vision and determination to educate me. This piece of victory is dedicated to both of you. Thank you for be there for me from my day one. Alhamdulillah.

TABLE OF CONTENTS

AUTHOR'S DECLARATION	II
ABSTRACT	III
ACKNOWLEDGEMENT	IV
TABLE OF CONTENTS	V
LIST OF TABLES	VIII
LIST OF FIGURES	IX
LIST OF ABBREVIATIONS	X
CHAPTER ONE: INTRODUCTION	1
1.1 Introduction	1
1.2 Background of the Study	1
1.3 Problems Statement	4
1.4 Research Questions	6
1.5 Research Objectives	7
1.6 Significance of Study	7
1.7 Organization of the Study	8
1.8 Chapter Summary	8
CHAPTER TWO: LITERATURE REVIEW	10
2.1 Introduction	10
2.2 Country Background Information	10
2.2.1 Malaysia Manufacturing Industry	11
2.2.2 Singapore Manufacturing Industry	12
2.3 Defining the Key Concept	12
2.3.1 Intellectual Capital	12
2.3.2 Innovation Capital	15
2.3.3 Firm Financial Performance	17
2.4 Intellectual Capital Measurement	19